



STATE OF DELAWARE
DIVISION OF ENERGY & CLIMATE
100 W. WATER STREET
SUITE 5A
DOVER, DELAWARE 19904

Department of Natural Resources
and Environmental Control

Phone: (302) 735-3480
www.dnrec.delaware.gov/energy

August 12, 2016

The Honorable Mark Lawrence
Hearing Examiner
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904

Re: PSC Docket No. 14-193

Dear Hearing Examiner Lawrence:

The Department of Natural Resources and Environmental Control (DNREC), Division of Energy & Climate generally supports the Most Favored Nations (MFN) allocation proposal submitted by the Joint Applicants today. We believe the proposed allocations are consistent with the public interest as outlined below. However, because we only received the final version of this document today, we reserve the ability to study the document more closely over the course of the next few days.

Energy Efficiency (\$14 million): DNREC believes that the use of MFN funds for energy efficiency is in the public interest because it empowers customers to reduce their energy costs, reduces overall energy costs, and reduces emissions of CO₂, NO_x and SO₂ from marginal energy generation. PJM calculated the 2015 marginal on-peak emission rate for CO₂ to be 1,647 pound per MWh, the marginal on-peak emission rate for SO₂ to be 3.34 pounds per MWh, and the marginal on-peak emission rate for NO_x to be 1.80 pounds per MWh.
(<http://www.pjm.com/~media/documents/reports/20160318-2015-emissions-report.ashx>)

MFN funds used for energy efficiency will complement and extend the effectiveness of DNREC's Energy Efficiency Investment Fund (EEIF), will help offset any rate recovery as recommended by the Energy Efficiency Advisory Council (EEAC), and will help ensure that all customer classes have access to cost-effective energy efficiency programs. Under no circumstance will programs run by DNREC duplicate any programs approved by the EEAC or the PSC.

- **Large Commercial/Industrial (\$8 million):** This class of customers provides opportunity for large-scale energy efficiency savings. These savings will make Delaware's largest utility customers more competitive and provide the largest savings in terms of energy efficiency.

Delaware's Good Nature depends on you!

- **Energy Efficiency Investment Fund EEIF (\$4 million):** EEIF is a successful program that has not been funded by the General Assembly over the last two years. In Fiscal Years 2015 and 2016, EEIF disbursed \$3,459,405 in grants for projects creating 1,542 MWh in annual energy savings. The proposed allocation will help fund the program through FY 2017.
- **Low Income EE (\$2 million):** This will add to the \$2 million in settlement funds to help provide energy efficiency programs to low income ratepayers as recommended by the Energy Efficiency Advisory Council. Low income customers pay a disproportional percentage of their income for energy and would not otherwise be able to afford the investments needed to make their homes more efficient.

DEDO (\$6 million): DNREC supports this allocation as promoting economic development opportunities in the energy sector.

Public Interest Projects (\$4 million): DNREC supports this allocation as a means to promote clean energy innovation in Delaware.

Residential Customer Arrearage (\$3.1 million): DNREC supports this allocation as benefitting low income customers.

Capital to Governmental Entities: DNREC supports this as a means to help government entities to easily finance renewable energy projects.

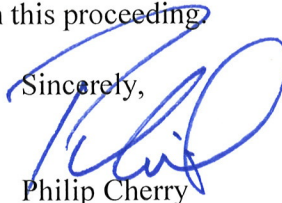
Competitive Development of 5 MW of Renewable Energy: DNREC supports this provision as a way to prompt development of renewable energy capacity in Delaware.

Extended Job Commitment: DNREC supports this provision.

Microgrid Pilot Project: A previous draft proposal included a provision for a Microgrid Pilot project, which DNREC supports with the understanding that any proposal would be subject to PSC approval. DNREC recommends that a working group be convened to review the opportunities informally before DPL submits a formal filing to the PSC.

DNREC recognizes that further review and discussion of the details of the proposal may be required to finalize a MFN agreement and is committed to working with the parties to reach a settlement that advances the public interest in this proceeding.

Sincerely,



Philip Cherry
Director, Division of Energy & Climate